

**SUMMARY ANALYSIS OF AMENDED BILL**

Author: Ridley-Thomas Analyst: Rachel Coco Bill Number: AB 168  
 Related Bills: See Prior Analysis Telephone: 845-4328 Amended Date: March 10, 2005  
 Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** California Tax Expenditure Accountability Act/Tax Expenditure Reports

- \_\_\_\_ DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended \_\_\_\_.
- \_\_\_\_ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.
- \_\_\_\_ AMENDMENTS DID NOT RESOLVE THE DEPARTMENTS CONCERNS stated in the previous analysis of bill as introduced/amended \_\_\_\_.
- \_\_\_\_ FURTHER AMENDMENTS NECESSARY.
- \_\_\_\_ DEPARTMENT POSITION CHANGED TO \_\_\_\_.
- ☒ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED January 19, 2005, STILL APPLIES.
- ☒ OTHER – See comments below.

**SUMMARY**

This bill would require several state agencies to provide reports on tax expenditures.

**SUMMARY OF AMENDMENTS**

The March 11, 2005, amendments removed language that would have required the Department of Finance (DOF) to provide a report to the legislature on tax expenditures. The amendments added language that would require several departments to provide tax expenditure reports to the legislature, the Legislative Analyst's Office (LAO) and DOF.

As a result of the amendments, the "This Bill" discussion contained in the prior analysis has been revised. The remainder of the department's analysis of the bill as introduced January 19, 2005, still applies.

**POSITION**

Pending.

Board Position:			Department Director	Date
____ S	____ NA	____ NP	Brian Putler	3/14/05
____ SA	____ O	____ NAR		
____ N	____ OUA	<input checked="" type="checkbox"/> PENDING		

## THIS BILL

This bill would repeal an existing provision of law that requires DOF to provide an annual report to the Legislature on tax expenditures.

This bill would require the Franchise Tax Board (FTB) and the Board of Equalization (BOE) to provide reports on tax expenditures to LAO, DOF, and the Legislature. The reports would be based on static revenue analysis and would address tax expenditures for the taxes administered by each department respectively. The reports would include estimated revenue losses attributable to each tax expenditure that had a revenue loss in excess of \$10 million in the prior fiscal year. The reports would be required from each department on or before November 15, 2006, and on or before November 15<sup>th</sup> every year thereafter.

This bill also would require DOF to provide a report on tax expenditures to LAO and the Legislature. The report would be based on a dynamic revenue analysis and include a comparison of the reports submitted by FTB and BOE. The report would be required on or before February 1, 2007, and on or before January 15<sup>th</sup> every year thereafter.

This bill would require LAO, on or before March 1, 2007, and on or before every March 1<sup>st</sup> thereafter, to review the tax expenditure reports provided by FTB, BOE, and DOF and make recommendations to the legislature regarding which tax expenditures should be modified or repealed.

This bill would define “tax expenditures” as a credit, deduction, exclusion, exemption, or any other tax benefit as provided for by state law.

This bill would define “static revenue analysis” as the historical method used by BOE and FTB for evaluating tax expenditures that takes into account only the most direct economic responses to tax expenditures.

This bill would define “dynamic revenue analysis” as the historical method used by DOF for evaluating tax expenditures based on assumptions that estimate the probable behavioral responses of taxpayers, businesses, and other citizens to those tax expenditures, and that includes a statement identifying those assumptions.

## **LEGISLATIVE STAFF CONTACT**

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